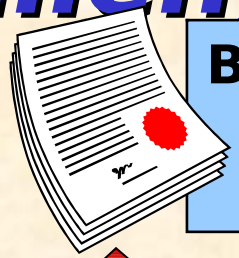
Performance Based Logistics 20 Nov 2002

Current Life Cycle Challenges

$67B

High Weapon System Sustainment Cost



Business Case Analyses For Support Decisions Lack Verifying Data

New Logistics Processes, Policies, And Initiatives Are Critical!!

PM Training Needed For Life Cycle Mgmt Role

CWT=18 Days

Inefficient End-to-End Supply Support

Requirements Process That Emphasizes Performance – Not Sustainment

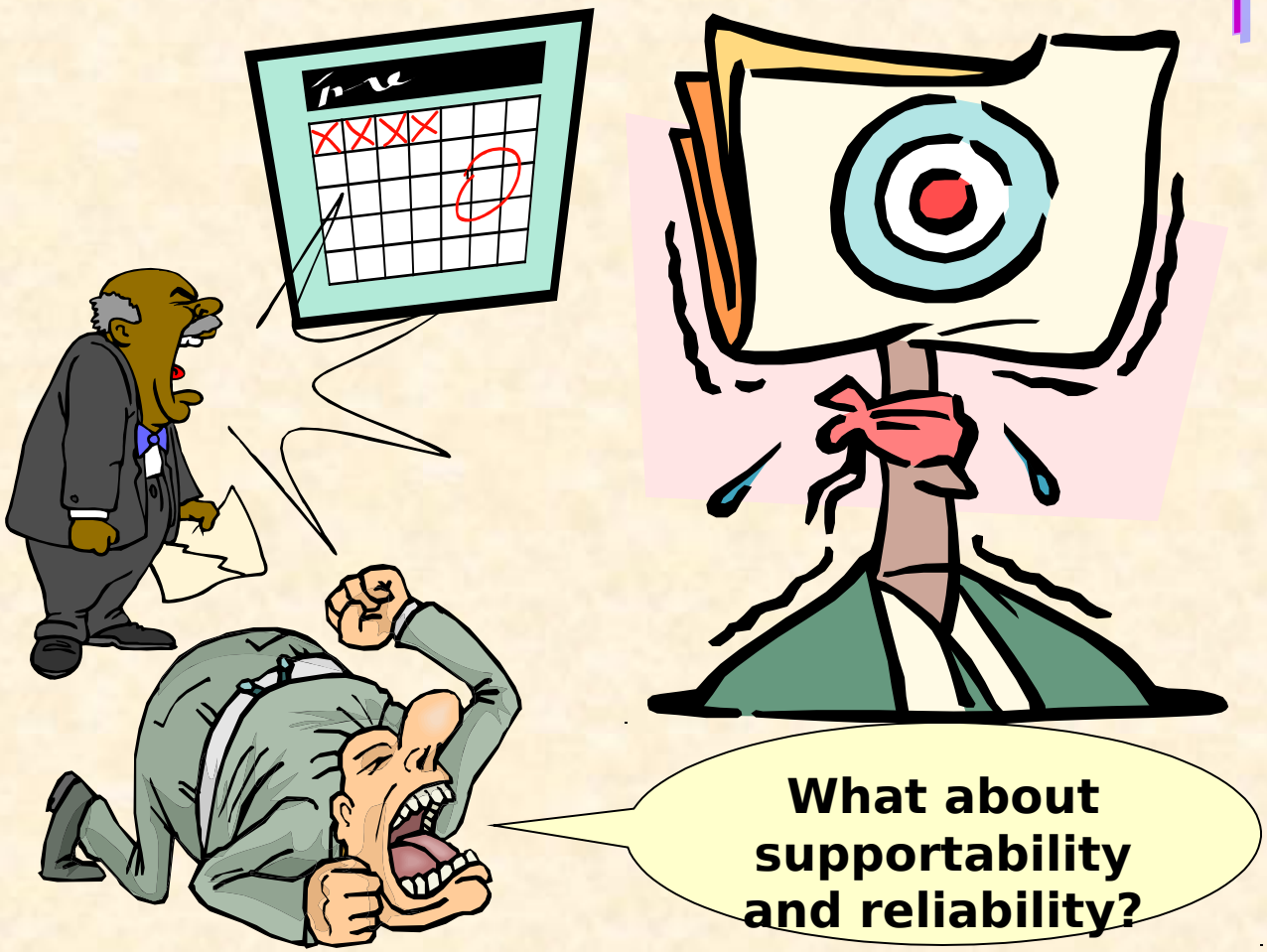
Policy Needs To Reflect New Strategies

What are the Pressure Points for Program Managers?

SCHEDULE

Performance!

ORD
KPP
S



What about supportability and reliability?

COST

Let's Face It…

- *Our system acquisition oversight process puts intense pressure on PMs for:*
  1. ***SCHEDULE*** *("early delivery of capability to warfighter")*
  2. ***COST*** *(no Nunn-McCurdy breaches)*
  3. ***PERFORMANCE*** *(meet the ORD KPPs)*
- *ALL ELSE (including supportability and reliability) is trade space*

We're Deferring Impact From Acquisition to Sustai

Which…

- ***Drives (often) unrealistic sustainment cost estimates***
- ***Leading to chronic underfunding of operations and support***
- ***Leading to less than optimum mission capable rates***
- ***Driving higher deployment quantities***
- ***Creating larger deployment footprints***

What's Wrong With This Picture???

QDR Direction

- *Project and sustain the force with minimal footprint*
- *Implement performance-based logistics to compress the supply chains and improve readiness*
- *Reduce cycle times to industry standards*

Requires a New STRUCTURE and STRATEGY for SUPPORT

STRUCTURE

Designate a Single Point of Accountability for the Weapon System from Cradle to Grave

Total Life Cycle Systems Management

TLCSM

STRATEGY

Buy Weapon System Support As an Integrated Package, vice Segmented Functions

Performance Based Logistics

PBL

Interim DODD 5000 Policy

Total Systems Approach. The PM shall be the sing point of accountability for accomplishment of pro objectives for total life cycle systems managemen including sustainment.

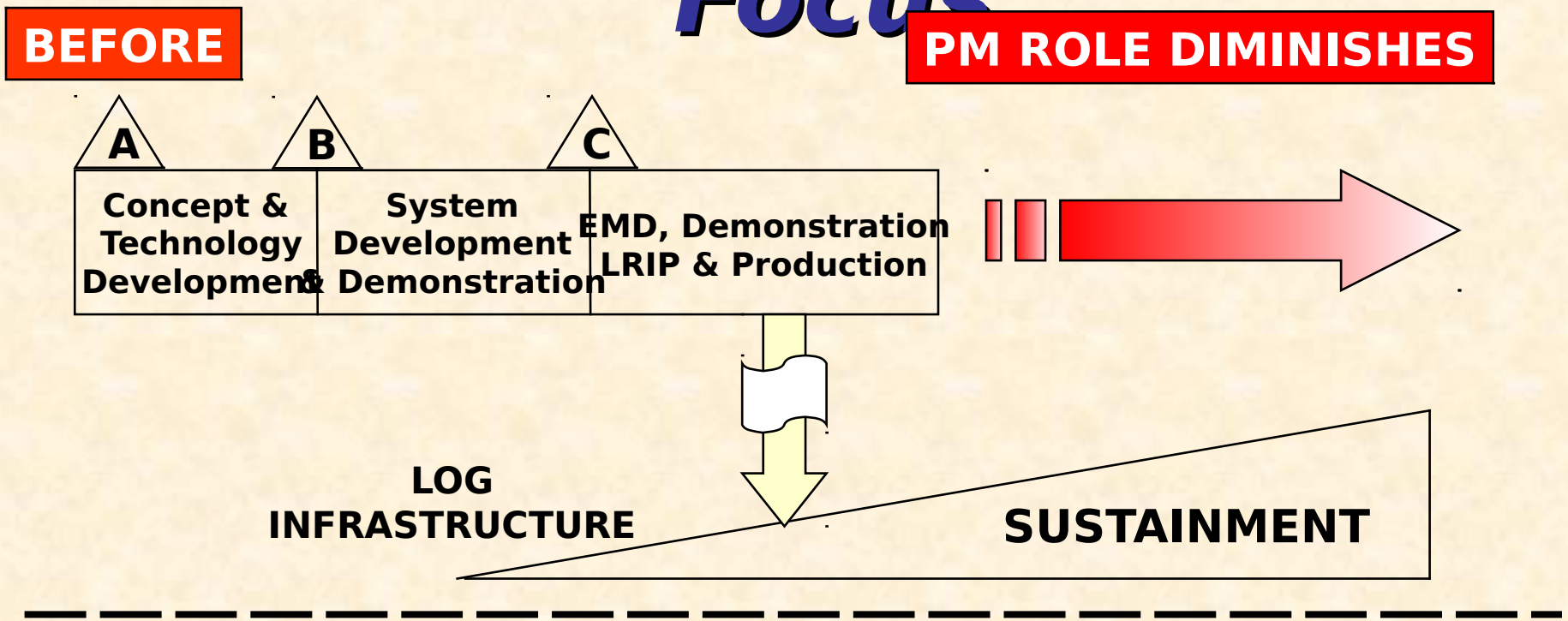
Performance-Based Logistics. PMs shall develop implement performance-based logistics strategie optimize total system availability while minimizin and logistics footprint. Sustainment strategies sh include the best use of public and private sector capabilities through government/industry partner initiatives, in accordance with statutory requirem

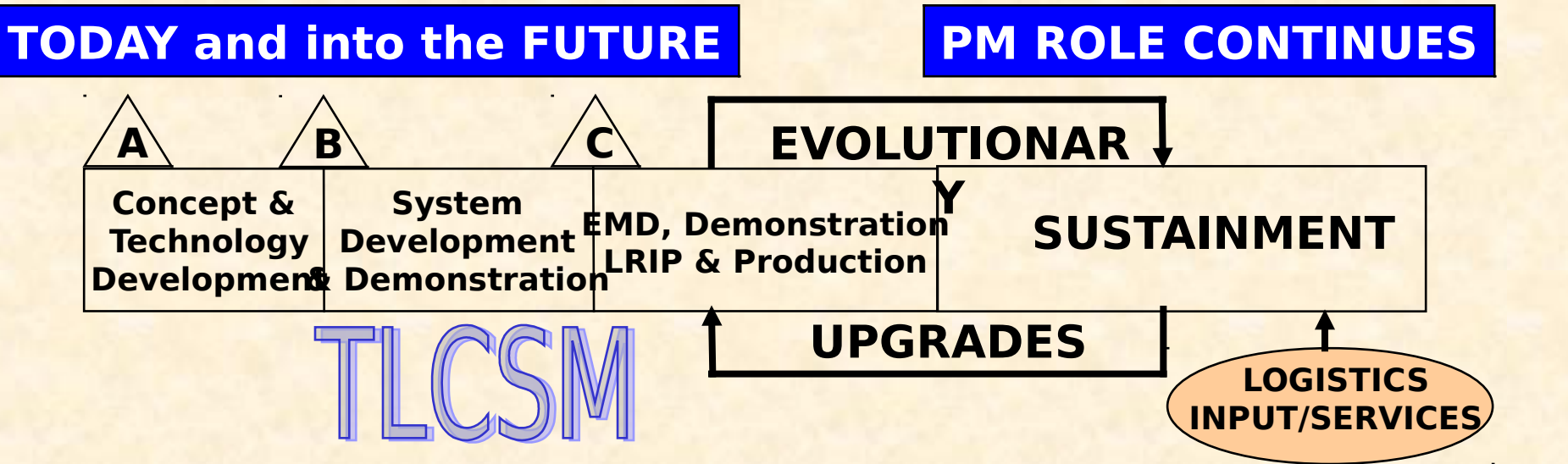
Total Life Cycle Systems Management Desired End State

Weapon System Managers responsible for the overall management of the weapon system life cycle to include:

- **Timely acquisition of weapon systems meeting warfighter performance requirements**
- **Integration of sustainability and maintainability during acquisition process**
- **Weapon system sustainment to meet or exceed warfighter performance requirements at best value to DoD (and appropriate visibility)**

Program Management Focus





Performance-Based Logistics

INDUSTRY/ORGANIC

Buys Performance As a Package
(Including Surge/Flexibility)

Weapon System Management

Warfighter/Force Provider

Support Provider

PA

PM

PA

Ensure System is Sustained at optimum Level per PA

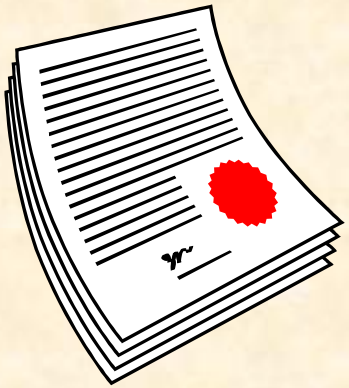
Provide continuou Reliable, affordabl Support per PA

Acquisition ***Sustainment*** ***Disposal***

Visibility into cost/risk decisions across life cycle

Performance Agreements

- Performance Agreements are a critical element in implementing PBL
  - Define Expectations of Force Provider
  - Define range of support requirements
  - Basis for negotiating support contracts
  - Ensure accountability in meeting Warfighter requirements
- Getting them right is critical!



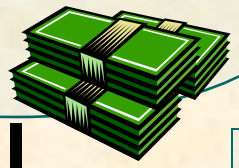
Characteristics

- *Warfighter Focused – High Level Metrics*
- *Documents the negotiated range of support metrics necessary to meet operational objectives*
  - *Expectations*
  - *Range of performance*
  - *Peace and War*
- *Involves and is recognized by all appropriate stakeholders*
  - *Service corporate structure*
  - *Logistics providers*
  - *Customers*
- *Synchronizes allocated resources (corporate decision process) with service level expectations*

Financial Process Strategy

Enabler vs. Disabler

Appropriated Funds



Execute Performance Agreement and Provide Funds

Performance Agreements

Force Provider

- Operational commands define requirements
- Defines acceptable range of performance
- Advocates for required funds
  - through Service PPBS process
  - by platform
- Buys performance as a package
- Retain direct management of
  - Fuel
  - I and O maintenance
  - Base operations

Program Manager

- Provides performance as a "package" IAW Force Provider's requirements
- Develops Performance Agreements with Logistics support providers
- Estimates annual cost based on operational requirements
- Receives funds from Force Provider to execute PA within fiscal constraints

TLCSM Recent Programs

H-60

- Government-Industry Partnership
- Increase parts availability rate from 73% to 90%
- "No cost" reliability improvements
  - 50% increase MTBF on FLIR

F-117 Performance Based Support Contract

- Support to 49th Fighter Wing rated Exce
- All performance metrics met or exceede
- Savings/cost avoidance to-date >$172M
- F-117 withstood test of transition and overseas deployment to 2 combat locati
  - In Kosovo, F-117 flew 1023 sorties with mission capable rate of 86%

M-1 Abrams

- Estimated $400M Savings
- Partnership among PM, industry, and Army Materiel Command
- Reduction of O&S costs of 20% by FY 05
- Potential of $17B O&S cost reduction over the 30-year remaining life

Advanced Amphibious Assault Vehicle (AAAV) Life Cycle Support

- PM Life Cycle Oversight
- Estimated $240M Cost Avoidance over life cycle
- Embedded Training
- Competitive sourcing

Exploiting integrated industrial logistics chains to optimize equipment readiness

TLCSM Migration to End State

LEGACY	CURRENT	FUTURE
 F-18 C/D	 F-18 E/F	 JSF
 DDG	 LPD-17	 DDX
 BRADLEY	 Stryker	 FCS
•Organic MX & Supply •Functional Support •BIT •Batch Process orders •Disparate Funding	•Initial PBL implementations •Partnering •Implementing CBM+ •Partial COTS; Partial Organic •Organic Retail Supply •Organic Mgmt Accounts	•Full PBL •Autonomic Logistics •Full COTS •Commercial Solutions •Single Line Accounting

CWT=12 days 2000 *CWT=3-5 days* 2010 *CWT=1-3 days*

Next on the PBL Agenda…

- ***Fix the Requirements Process***
  - *Work with Joint Staff on rewrite of JROC guidance (CJCSI 3170.012B)*
  - *Emphasize capabilities vice requirements*
  - *Make supportability an inherent factor of capability*
- ***Develop Acquisition Milestone Guidance***
  - *Key logistics criteria critical to each phase*
  - *Design in reliability and supportability through application of system engineering process*

TANGIBLE Changes Needed

- ***Requirements Process***
  - ***Define Key Performance Parameters such that their inherent RELIABILITY and SUPPORTABILITY criteria are part of the OBJECTIVE and THRESHOLD***
- ***Acquisition Process***
  - ***Assess Schedule, Cost, and Performance consistent with defined Reliability and Supportability criteria….if not met, cannot proceed***

Because You Just Don't Get Performance Without Reliability and Sustainment

Operational Effectiveness

Systems accomplishing mission IAW their designed performance capabilities in an optimum manner to achieve combatant command objectives

Warfighters Want This…

Performance Effectiveness

Systems operating to the maximum extent of their desig performance capabilities in a consistently reliable manner ov time

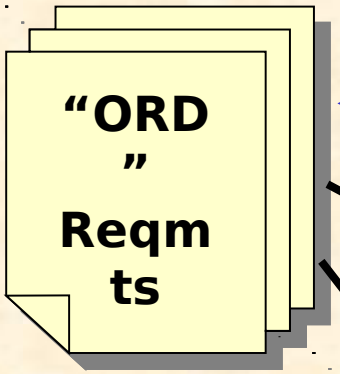
Force Providers Want This…

Sustainment Effectiveness

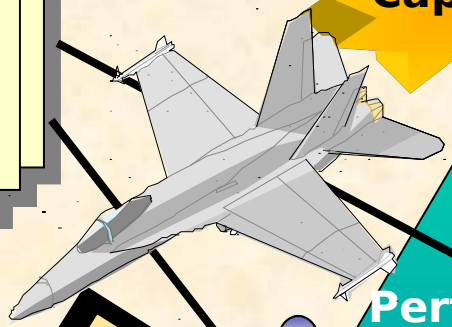
The application of logistics functions, processes, and infrastructure in both a proact and reactive manner to achiev and sustain the optimum performance of systems IAW their designed capabilities

This Drives Them Both!

Performance Sustainment



Warfighter Capabilities



Performance Objectives

Sustainment Objectives

Metrics

Resources

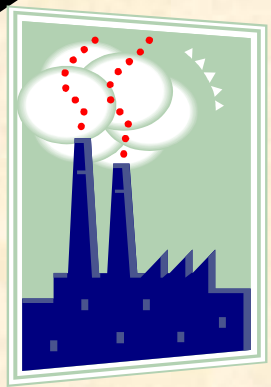
Performance Agreement/

Execute the Performance Agreement

Assess the Performance Agreement

PERFORMANCE REQUIREMENTS DRIVE SUSTAINMENT OBJECTIVES

EFFECTIVE SUSTAINMENT ENABLES PERFORMANCE & READINESS



After All…

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What good is it to field a system planned and built to 80% reliability?

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